
To: Finance and Corporate Scrutiny Board (1)

Date: 2nd September 2015

Subject: Coventry Investment Fund Update

1. Purpose of Note

1.1 This note explains the progress made to date and how the fund is promoted.

2. Coventry Investment Fund

2.1 The Coventry Investment Fund (CIF) operates as a revolving investment fund to enable commercial investment projects to take place that otherwise would not. The purpose of the Fund is '*to grow Coventry business rates and achieve economic benefits for its citizens*'. The Fund can offer a range of investment types including loans, equity, rental guarantees and in exceptional circumstances grants. It is also available for public sector infrastructure investment where such investment supports the purpose of the Fund.

2.2 The Fund has recently completed its first annual report (Appendix One). To date the Fund has committed £16.6m (33%) towards projects totalling £130m which is forecasted to create 845 jobs in the City.

2.3 Work has recently been undertaken on refining how projects are assessed in relation to the rate of return generated. Three categories have been identified – loans, direct developments and grants. For loans, the rate of return is based on the interest received plus the additional business rates generated, net of the borrowing cost. For direct developments return is based on income generated (e.g. rent and business rates) from the asset produced net of borrowing. For grants there is no generation of interest and so the most appropriate investment measure is payback which illustrates the period of time in which the Council will generate additional business rates to cover the cost of the grant.

2.5 The promotion of the fund to local businesses is focused through the Federation of Small Business (FSB), the Coventry and Warwickshire Chamber of Commerce, the Growth Hub and the council's own Business Investment Team. This involves raising awareness with staff and running information through partner channels such as newsletters and events. Inevitably businesses prefer grant based support and as such European Regional Development Fund and Regional Growth Fund grants experience a high demand. With CIF being predominately loan based, it will always be less attractive than a grant. However, as a fund of last resort where the council is seeking to maximise the use of external monies that is not necessarily a bad thing.

2.6 The Fund can also be instrumental in the development of projects even though no CIF investment will take place. An example of this is Lyons Park where funding was approved to bridge the affordability gap in a commercial development. This generated the confidence for the developer to take the project forward to contract. However, the financial position of project improved and the CIF contribution was reviewed by the developer as no longer required. The development is presently on site with the construction of 214,000 ft² comprising six units which would be expected to house circa 550 jobs, which are not counted in the jobs forecasted above.

3. Recommendations

3.1 Finance and Corporate Scrutiny Board requested to:-

(1) Note the continued progress of the Coventry Investment Fund

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Appendix One – Coventry Investment Fund – Annual Report